

## Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 IO-13 ISO-00 L-03 FRB-03 OMB-01

ITC-01 SP-02 USIA-06 AGRE-00 AID-05 CIAE-00

COME-00 INR-07 LAB-04 NSAE-00 OIC-02 SIL-01

STR-05 TRSE-00 CEA-01 SS-15 AF-10 EA-10 EUR-12

NEA-10 NSC-05 /135 W

-----028450 261628Z /45

P R 261417Z SEP 77

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 1383

INFO USINT HAVANA

C O N F I D E N T I A L GENEVA 8172

E.O. 11652: GDS

TAGS: EAGR, ETRD, UNCTAD, CU

SUBJECT: CUBAN-U.S. BILATERAL ON SUGAR

REF: GENEVA 7910

1. ASST. SEC. KATZ MET WITH CUBAN MINISTER FERNANDEZ FONT AT LETTER'S REQUEST SEPT 24 FOR FURTHER DISCUSSION OF POINTS DIVIDING TWO SIDES. MEETING LARGELY COVERED SAME GROUND AS SESSION REPORTED REFTEL, BUT SOME PROGRESS WAS ACHIEVED IN AREA OF STOCKS VERIFICATION.

2. MIN. FERNANDEZ BEGAN BY NOTING THAT CUBA HAD RIGHT TO THE LARGEST QUOTA SHARE BASED ON LAST THREE YEARS PERFORMANCE. THOUGH CUBAN POSITION ON ISSUE OF QUOTA SIZE WAS NOT INFLEXIBLE, MARGIN OF FLEXIBILITY WAS NARROW. ASST. SEC. KATZ NOTED THAT THERE WERE THREE WAYS TO RAISE TONNAGES TO SATISFY THOSE WHO WERE DISSATISFIED WITH QUOTA ALLOCATION:  
A. TAKE TONNAGE AWAY FROM ONE COUNTRY AND REDISTRIBUTE TO OTHERS.  
B. BRING SOME OF CUBA'S SPECIAL ARRANGEMENTS UNDER A SOMEWHAT EXPANDED CUBAN QUOTA.

C. RAISE EVERYONE'S TOTAL AND PROVIDE FOR DEEPER PRO RATA

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CUTS TO REDUCE TOTAL TO GLOBAL QUOTA THAT WOULD CORRESPOND TO FREE MARKET DEMAND.

3. FERNANDEZ SAID ALTERNATIVES A AND B WERE UNACCEPTABLE TO CUBA BUT THAT ALTERNATIVE C MIGHT PROVIDE BASIS FOR DISCUSSION. FERNANDEZ AGAIN RAISED ISSUE OF NEED FOR MINIMUM EXPORT ENTITLEMENT FOR CUBA, BUT LEFT POSSI-

BILITY OPEN FOR EXCEPTION MEASURES IN THE FIRST YEAR OF THE AGREEMENT. FERNANDEZ STRESSED HOWEVER THAT CUBA NOT INTERESTED EXCLUSIVELY IN MAXIMIZING REVENUE BUT ALSO INTERESTED IN KEEPING SUGAR CANE WORKERS EMPLOYED.

4. KATZ RETURNED TO AREA OF SPECIAL ARRANGEMENTS CITING US CONCERNS ABOUT ABILITY OF USSR TO PASS THROUGH CUBA SUGAR TO FREE MARKET, AND NEED FOR INFORMATION ON SPECIAL ARRANGEMENTS. ALSO REFERRED TO CUBA'S ABILITY SHIP TO ASIA SOCIALIST NATIONS BEYOND ITS QUOTA NOTING THAT THIS BOTHERED AUSTRALIA AND PHILIPPINES ESPECIALLY. AFTER LENGTHY DISCUSSION OF SPECIAL ARRANGEMENTS FERNANDEZ-FONT ADMITTED THAT SPECIAL ARRANGEMENTS DID OFFER CUBA MORE FLEXIBILITY THAN OTHERS. HOWEVER THIS WAS MATTER OF SOLIDARITY OF SOCIALIST CAMP WHICH MORE IMPORTANT TO CUBA THAN ISA. FLEXIBILITY, HOWEVER, HAD TO BE BALANCED AGAINST FACT THAT US MARKET, WHICH REPRESENTED 40 PERCENT OF FREE MARKET, WAS CLOSED TO CUBA. FERNANDEZ SHOWED NO UNWILLINGNESS GO BEYOND ANY ALTERATION OF CUBA'S STATED POSITIONS ON SPECIAL ARRANGEMENTS.

5. ON ISSUE OF STOCKS, FERNANDEZ COVERED SAME POINTS REPORTED REFTEL. MAIN EMPHASIS WAS ON CUBAN INABILITY TO REPAY LOANS EXTENDED FOR CARRYING COSTS OF SUGAR STOCKS WITHIN NINETY DAY PERIOD NOW REQUIRED IN PROPOSED ISA ARTICLES. ONLY A REPAYMENT OF PORTION SHLULD BE REQUIRED, FERNAND  
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EZ SAID.

6. SOME PROGRESS MADE WITH CUBANS ON VERIFICATION ISSUE. CUBA PROPOSED THAT VERIFICATION OF STOCKS BE MADE BY A SOCIALIST ENTERPRISE. KATZ SAID THAT WE COULD ACCEPT LANGUAGE IN ISA TO EFFECT THAT VERIFICATION WOULD BE CARRIED OUT BY AN AGENCY OF KNOWN REPUTATION ACCEPTABLE TO BOTH THE INTENATIONAL SUGAR ORGANIZATION AND THE EXPORTING COUNTRY.

7. CUBANS CONTINUED TO HOLD OUT FOR MINIMUM PRICE OF 13 CENTS. KATZ STRESSED THAT HIGHER PRICE RANGE WOULD ALLOW HIGH FRUCTOSE CORN SYRUP TO INCREASE MARKET PENE- TRATION AND REDUCE US SUGAR IMPORTS. KATZ ADDED WE HAD NO FLEXIBILITY ON THIS ISSUE. VANDEN HEUVEL

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## Message Attributes

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**Review Markings:**  
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